

Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 02174 112150Z

67

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C O N F I D E N T I A L OTTAWA 2174

E.O. 11652: GDS

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SUBJECT: 1974 CANADIAN ELECTION RESULTS: IMPLICATIONS FOR US POLICY

1. SUMMARY. MAJORITY LIBERAL GOVERNMENT IN CANADA IS NOT
LIKELY TO CHANGE POLICIES TOWARDS US IN ANY SUBSTANTIAL WAY.
EMBASSY BELIEVES MAJORITY POSITION SHOULD ALLOW GOC GREATER
FLEXIBILITY IN DEALING WITH US-RELATED ISSUES AND PERHAPS
ENABLE IT TO MODIFY SOME OF THE MORE ASSERTIVE POSITIONS TAKEN IN REC
ENT
MONTHS. MOREOVER, LIBERAL SUCCESS, REPEATED ACROSS CANADA
(THOUGH LEAST IN ALBERTA) HAS SHARPENED CANADIAN UNITY AND PROMISES
STRONGER CANADIAN GOVERNMENT FOR COMING YEARS. AT SAME TIME, IMPER-
ATIVES REMAIN FOR ANY FEDERAL GOVERNMENT OF CONTENDING WITH GREATER
PROVINCIAL GOVERNMENT POWERS AND DEMANDS (CF. RESOURCES BASE)
AND TAX DISTRIBUTION AND WITH NATIONALIST SENTIMENT FOR LESS
DEPENDENCE ON US. END SUMMARY.

2. LIBERAL MAJORITY (NOW 141 OF 264, FOLLOWING RECOUNT WHICH
GAVE A SOCIAL CREDIT QUEBEC SEAT TO A LIBERAL) REPRESENTS A
REMARKABLE PERSONAL SUCCESS FOR PRIMIN TRUDEAU AND ENDORSEMENT
OF HIS POLITICAL LEADERSHIP. CONTRARY TO ALMOST ALL EX-
PECTATIONS, A SOLID LIBERAL TREND DID DEVELOP, AFFECTING
RESULTS ACROSS COUNTRY. CONCERN OVER COST OF
CONFIDENTIAL

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PAGE 02 OTTAWA 02174 112150Z

LIVING INCREASES, WHILE OBVIOUSLY WIDESPREAD, WAS NOT

TRANSLATED INTO POLITICAL ISSUE AGAINST TRUDEAU AND THE LIBERAL CANDIDATES. THIS IN PART BECAUSE OF IMPRECISE PRESENTATION OF PROGRESSIVE CONSERVATIVE (PC) WAGE AND PRICE FREEZE PROPOSAL, BUT PROBABLY ALSO REFLECTS ATTITUDE NOTED IN EMBASSY'S LAST QUARTERLY REPORT: A MAJORITY OF CANADIANS ARE GENERALLY PLEASED WITH THEIR PRESENT LOT, AND HAVE GOOD REASON TO BE SO. THIS IS PARTICULARLY EVIDENT IN REJECTION OF NDP (FROM 33 TO 16), TRADITIONAL BENEFICIARY OF "PROTEST" VOTE. (PC PERCENTAGE -- 35 -- OF POPULAR VOTE DID NOT DECLINE, BUT NDP LOST 2 PERCENT -- DOWN TO 16 -- WHICH PROVED DISASTROUS.)

3. IN ADDITION TO TRUDEAU'S PERSONAL SUCCESS, RESULTS REPRESENT VINDICATION OF LIBERAL POLICIES, INCLUDING FINANCE MIN TURNER'S BUDGET, DEFEAT OF WHICH IN COMMONS PRECIPITATED ELECTIONS, AND OF LIBERAL CABINET, ONLY ONE OF WHOM-- ENVIRONMENT MIN DAVIS-- WAS DEFEATED. THIS WOULD IMPLY LITTLE OR NO CHANGE IN POLICY DIRECTION DURING NEXT ADMINISTRATION. TRUDEAU HAS LEARNED POLITICAL LESSONS DURING PAST MINORITY ADMINISTRATION, AND A RETURN TO "ARROGANCE" OR INSENSITIVITY TO PUBLIC AND PARLIAMENTARY OPINION WHICH CONTRIBUTED TO 1972 LIBERAL LOSSES DOES NOT APPEAR LIKELY. HIS COMPARATIVELY MODEST AND CONCILIATORY STATEMENT FOLLOWING HIS VICTORY SHOULD BE SEEN IN THIS CONTEXT.

4. TRUDEAU'S MAJORITY IN COMMONS WILL GIVE HIM A FREE HAND IN CONFRONTING ISSUES INVOLVING THE US. THIS MAY OR MAY NOT MEAN A MORE RIGOROUS STANCE IN BILATERAL MATTERS. WE NOTE THAT AGRICULTURE MIN WHELAN'S VIGOROUS DEFENSE OF THE BAN ON US BEEF IMPORTS UNTIL MUTUALLY ACCEPTABLE DES SAFEGUARDS WERE DEVELOPED WAS WELL RECEIVED BY CANADIAN FARMERS AND PERHAPS BY OTHERS FOR ITS CLARION OF DEFIANCE. GOC APPROACH TO THIS PROBLEM NOW THAT ELECTIONS ARE OVER MAY PROVE FIRST BELLWETHER OF HOW FLEXIBLE CABINET IS PREPARED TO BE IN DEALING WITH US-CANADIAN RELATIONS. MINORITY SITUATION HEIGHTENED GOVERNMENT SENSITIVITY TO OPPOSITION CRITICISM, EVEN ON DAY TO DAY BASIS, OF ANY SIGN OF "KNUCKLING UNDER" TO US PRESSURES. NEW GOVERNMENT SHOULD BE ABLE TO TAKE LONGER RANGE VIEWPOINT, BE BETTER ABLE TO CONSIDER BASIC MUTUAL INTEREST IN HARMONIOUS

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CONFIDENTIAL

PAGE 03 OTTAWA 02174 112150Z

RELATIONS, AND THUS BE MORE PREPARED SEEK REASONABLE ACCOMMODATIONS. REVERSE RATIONALE OF COURSE IS THAT GOC CAN ON OCCASION TAKE GUTSIER APPROACH TO US WITHOUT FEAR OF CRIPPLING CRITICISM FROM OPPOSITION BENCHES THAT BILATERAL RELATIONS ARE BEING MISMANAGED. IN ANY EVENT, GOC SHOULD BE ABLE TO LIMIT STRIDENCY OF CROSS-BORDER DISPUTES IN MOST CASES AND CONDUCT BILATERAL BUSINESS IN MORE EFFICIENT, EXPEDITIOUS WAY WITHOUT NDP HALTER.

5. ELECTION RESULTS WOULD NOT APPEAR TO PRESAGE ANY BASIC CHANGE IN ECONOMIC POLICY. GOVERNMENT MAY BE SOMEWHAT LESS ZEALOUS IN PURSUING SUCH MEASURES AS ANTI-PROFITEERING LEGISLATION WITHOUT NDP LOOKING OVER ITS SHOULDER. WE WOULD EXPECT EFFORTS TO PROMOTE DEVELOPMENT OF PROCESSING AND MANUFACTURING SECTORS OF INDUSTRY AND TO BRING ABOUT GREATER CANADIANIZATION OF ECONOMY TO CONTINUE. MAJOR ISSUE WILL BE EXTENT TO WHICH GOVERNMENT SHOULD ADOPT POLICIES OF FISCAL AND MONETARY RESTRAINT IN COPING WITH CONTINUING HIGH LEVEL OF INFLATION. (STATISTICS CANADA REPORTED JULY 10 THAT CONSUMER PRICE INDEX ROSE 1.3 PERCENT IN JUNE AND 11.4 PERCENT FOR LAST 12-MONTH PERIOD, HIGHEST ANNUAL RATE SINCE KOREAN WAR.) WHILE TRUDEAU HAS INDICATED GOVERNMENT WILL STILL BE COMMITTED TO TURNER BUDGET PROPOSALS OF MAY 9, TURNER REPORTEDLY HAS SUGGESTED THAT CONTROVERSIAL PROVISION RELATING TO TAXATION OF RESOURCE INDUSTRIES WILL BE REVIEWED WITH VIEW TO EASING FEDERAL/PROVINCIAL CONFLICT IN THIS AREA.

6. CANADIAN SECURITY POLICY AS REGARDS PARTICIPATION IN NATO, RENEWAL OF NORAD, PEACEKEEPING ACTIVITIES, AND OTHER BILATERAL AND MULTILATERAL ISSUES OF INTEREST TO THE US SHOULD NOT BE ALTERED AS RESULT THESE ELECTIONS. FREED FROM NECESSITY PLACATE NDP, GOC MIGHT FEEL ABLE ADOPT MORE POSITIVE AND FORTHCOMING POSITIONS IN SOME OF THESE CASES. HOWEVER, CONTINUED INFLATION, COUPLED WITH THE INCREASED COSTS OF DOMESTIC PROGRAMS TO MATCH AT LEAST SOME OF THE PROMISES MADE DURING ELECTION CAMPAIGN -- SUCH AS ENHANCEMENT OF RAIL TRAVEL OR GOVERNMENT-SUPPORTED HOUSING LOANS-- WILL MAKE IT DIFFICULT FOR GOC TO DEVOTE SUBSTANTIALLY LARGER FUNDS FOR DEFENSE PROCUREMENT. BUT AT LEAST THESE DECISIONS CAN BE MADE

CONFIDENTIAL

PAGE 04 OTTAWA 02174 112150Z

WITHOUT HAVING TO BE JUSTIFIED TO A SMALL LEFT-WING MINORITY PARTY WHICH ADVOCATES A REDUCTION IN CANADIAN PARTICIPATION IN NATO AND NORAD AND THE DEFENSE ESTABLISHMENT GENERALLY.

7. ON SUCH ISSUES AS ENVIRONMENT ONES IN B.C. WHICH ARE OF PRIMARILY PROVINCIAL FOCUS IN CANADA-- PUGET SOUND TANKER TRAFFIC, FOR EXAMPLE, OR PROBLEM OF SKAGIT RIVER-- NDP LOSSES, IN PART ATTRIBUTABLE TO ANTIPATHY TOWARD NDP PROVINCIAL GOVERNMENT THERE, MAY STRENGTHEN HAND OF FEDERAL GOVERNMENT IN NEGOTIATING WITH US BY PARTIAL RESTRAINT OF PROVINCIAL PASSIONS. DEFEAT OF ENVIRONMENT MIN DAVIS WAS CAUSE FOR JUBILATION AMONG OTTAWA TECHNOCRATS AND WILL HOPEFULLY ELEVATE TONE OF US-CANADIAN DISCUSSIONS.

8. US HAS FUNDAMENTAL INTEREST IN CANADIAN UNITY, WHICH HAS CLEARLY BEEN REINFORCED BY ELECTION RESULTS. ANGLO-PHONE BACKLASH AGAINST ALLEGED LIBERAL FAVORITISM TOWARD QUEBEC DID NOT MATERIALIZE, WITH LIBERAL REPRESENTATION INCREASED, SUBSTANTIALLY IN ONTARIO AND MODESTLY IN OTHER AREAS OF COUNTRY. AT THE SAME TIME, TRUDEAU'S CONTINUED POPULARITY IN QUEBEC SHOULD ENABLE HIM TO JUSTIFY TO FRANCOPHONE CANADA THE NECESSITY OF DEVOTING INCREASED ATTENTION TO OTHER AREAS WITH REAL OR IMAGINED GRIEVANCES, PARTICULARLY THE PRARIES, WHICH TRUDEAU MENTIONED IN HIS ELECTION NIGHT REMARKS.

9. WHILE THERE IS SOME EDITORIAL THUMB-SUCKING HERE ABOUT UNDESIREABILITY OF "ONE-PARTY RULE," MOST SEEM TO APPLAUD THE ELECTION OF A MAJORITY GOVERNMENT. THIRD DEFEAT FOR PC LEADER ROBERT STANFIELD MAY MEAN END OF POLITICAL ROAD FOR THIS HONEST AND HONORABLE POLITICIAN, A CLOSE FRIEND AND ADMIRER OF THE US. EMBASSY DOUBTS THAT A SUCCESSOR TO STANFIELD WOULD TAKE MUCH DIFFERENT LINE REGARDING US RELATIONS. DOMESTIC ISSUES DOMINATED THIS CAMPAIGN AND ARE LIKELY TO REMAIN MAJOR FOCUS DURING TRUDEAU'S THIRD TERM. IN ANY EVENT, STABLE AND CONFIDENT CANADIAN GOVERNMENT FOR NEXT FEW YEARS (MAXIMUM OF FIVE) SEEMS ASSURED, AND US CAN FIND SOME REAL SATISFACTION IN THIS PROSPECT.

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PAGE 05 OTTAWA 02174 112150Z

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